

## Message Text

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PAGE 01 CAIRO 04330 010751Z

17

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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P R 010620Z MAY 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 3659

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY DOHA

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EXDIS

E.O. 11652: NA

TAGS: USEGJC EFIN EAID EG

SUBJECT: GOE SUSPENDS PAYMENT ON BANK FACILITIES

REF: STATE 99952

1. SERIOUSNESS OF LIQUIDITY CRISIS FACING EGYPT EVIDENTLY  
LED GOE TO SUSPEND PAYMENTS ON BANK-TO-BANK CREDIT  
FACILITIES FOR PERIOD OF ALMOST TWO WEEKS. ACTION WAS TAKEN  
ON INSTRUCTION FROM FORMER PRIMIN HEGAZI IMMEDIATELY  
PRIOR TO CABINET CHANGE OVER ON APRIL 16, AND WE ARE  
ADVISED THAT RESUMPTION HAS BEEN IN EFFECT FOR "TWO OR THREE  
DAYS".

2. NATIONAL BANK OF EGYPT, WHICH HANDLES ALMOST ALL  
CORRESPONDENT BANK FACILITIES, HAS ASKED THAT THIS DEVELOP-  
MENT BE CLOSELY HELD, SINCE ITS IMPACT ON EGYPT'S CREDIT  
RATING COULD BE HIGHLY ADVERSE IF IT BECOMES COMMON  
KNOWLEDGE. (WE CERTAINLY AGREE. WHILE TEMPORARY DELAYS  
ARE NOT IN THEMSELVES SERIOUS, GIVEN GOE'S EXCELLENT  
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PAGE 02 CAIRO 04330 010751Z

RECORD UP TO NOW, NATURE OF UNDERLYING CAUSES COULD LEAD TO

POTENTIALLY DAMAGING CURTAILMENT OF MAJOR SOURCE OF  
FINANCING FOR EGYPT'S NEEDS.)

3. WE ARE ADVISED THAT A SECOND CASH GRANT FROM IRAN,  
OBTAINED DURING VISIT OF PRES SADAT, PERMITTED RESUMPTION  
OF PAYMENTS. NO INFORMATION AS TO SIZE OF GIFT IS YET AVAILABLE  
HERE, BUT EMBASSY TEHRAN MAY HAVE SOME DATA ON  
SUBJECT (REFTEL). ADDITIONAL UNSPECIFIED HELP WAS ALSO  
REPORTEDLY OBTAINED FROM KUWAIT AS RESULT QUICK TRIP BY  
ASHRAF MARWAN.

4. COMMENT: ONLY THOSE BANKS WHICH HAD ACCOUNTS ON  
WHICH PAYMENTS FELL DUE DURING PERIOD IN QUESTION WOULD  
BE AWARE OF SUSPENSION AND THEN ONLY AFTER A FEW DAYS  
DELAY. THIS MAY EXPLAIN WHY EVENT TOOK PLACE LITERALLY  
WITHOUT KNOWLEDGE OF ECONOMIC COMMUNITY. LOCAL  
CHASE MANHATTAN REPS CALLED EMBASSY TODAY TO ASK IF INFO  
REPORTED FROM NEW YORK OFFICE WAS CORRECT, THAT EGYPT HAD  
"STOPPED PAYING ITS DEBTS", WHICH LED TO OUR INQUIRIES AND  
THE ABOVE INFORMATION.

5. IT IS ENTIRELY POSSIBLE THAT SIMILAR SITUATION COULD  
DEVELOP AGAIN IN NEAR FUTURE, UNLESS MAGNITUDE OF PROBLEM -  
AND ITS POSSIBLE RESULTS - LEADS WEALTHY ME COUNTRIES TO  
RECOGNIZE EXTENT TO WHICH THEIR OWN INTERESTS ARE INVOLVED  
WITH VIABILITY OF EGYPTIAN ECONOMY AND POLITICAL CONSEQUENCES  
OF ITS COLLAPSE.  
EILTS

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
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**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, LIQUIDITY (MONETARY), DEBT REPAYMENTS  
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